Forward-Looking Statements

Statements in this Form 10-KSB report may be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and probably will, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those described above and those risks discussed from time to time in this Form 10-KSB report, including the risks described under "Risk Factors" and Management's Discussion and Analysis of Financial Condition and Results of Operations" and in other documents which we file with the Securities and Exchange Commission. In addition, such statements could be affected by risks and uncertainties related to our financial condition, factors which affect the security industry, market and customer acceptance, competition, government regulations and requirements and pricing, as well as general industry and market conditions and growth rates, and general economic conditions. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this Form 10-KSB.

PART I

Item 1. Description of Business

Our Business

We design, assemble, market and sell security products for use by military, law enforcement and security personnel in the public and private sectors. Our clients include governmental agencies, multinational corporations and non-governmental organizations. Our principal products are:

- equipment designed to jam bombs which are activated by remote radio-controlled signals such as cell phones and garage door openers;
- systems which are used to monitor mobile and other communications; and
- countermeasure security equipment, including counter surveillance, wiretap detection, voice stress analysis lie detection equipment and voice logging systems.

Our operations have generated losses since our organization, and our losses are continuing. We believe that our ability to operate profitably in the future will be dependent upon our ability to continue to develop and market our bomb jamming equipment and to market our communications monitoring systems. We design and assemble the bomb jamming equipment, which we introduced in 2004. We market the communications monitoring systems pursuant to a distribution agreement. Although we offer a number of other security products, revenue from these products has not been significant.

Our revenue from bomb jamming and communications monitoring equipment was approximately $405,000 for the year ended June 30, 2007 and $640,000 for the year ended June 30, 2006. At June 30, 2007, we had six firm orders for bomb jamming equipment and communications monitoring equipment, totaling $1,627,000. The customers for three of the orders totaling $1,072,000 have instituted litigation against us based on alleged breaches of contract. (See Item 3. Legal Proceedings). We have been unable to obtain an export license to ship one additional order for $140,000 and cannot be certain we will ever be able to obtain an export license for this order. The remaining two orders totaling $415,000 are scheduled for shipment during the second quarter of fiscal 2007._

Stock Distribution

On November 17, 2005, we effected a three-for-one stock distribution, pursuant to which we issued two shares of common stock for each share of common stock outstanding on November 28, 2005, the record date. In connection with the stock distribution, our authorized common stock was increased from 100 million shares to 300 million shares.

About US

We are a Florida corporation organized under the name Hipstyle.com, Inc. in June 1999. In April 2002, in a transaction characterized as a reverse acquisition, we acquired CCS International, Ltd. ("CCS"), and our corporate name was changed to Security Intelligence Technologies, Inc. The transaction by which we acquired the stock of CCS is referred to in this annual report as the "reverse acquisition." From and after April 17, 2002 and continuing through the year ended June 30, 2003, our business was the business conducted by CCS prior to the reverse acquisition.

Prior to 2004, a significant portion of our revenue was derived from sales by our retail stores which were operated by CCS. Commencing in mid 2003 and continuing through March 2004, we closed all of our retail stores, although we continue to make modest retail sales from our headquarters. In March 2005, we sold the stock of CCS to Menahem Cohen, who was then our vice president and a director, for $100 and contingent consideration consisting of 5% of CCS's and its subsidiaries' net sales through March 31, 2015.

Our principal executive offices are located at 145 Huguenot Street, New Rochelle, New York 10801, telephone (914) 654-8700. Our website is www.secintel.com. Neither the information nor other statements contained in our website nor the information contained in any other Internet website is a part of this annual report.

References to "we," "us," "our" and similar words refer to Security Intelligence Technologies, Inc. and its subsidiaries, unless the context indicates otherwise.

RISK FACTORS

An investment in our securities involves a high degree of risk. In determining whether to purchase our securities, you should carefully consider all of the material risks described below, together with the other information contained in this annual report before making a decision to purchase our securities. You should only purchase our securities if you can afford to suffer the loss of your entire investment.

We require significant working capital in order to fund our operations.

At June 30, 2007, we had cash of approximately $7,000, no accounts receivable, and a working capital deficit of approximately $8.6 million. In order to pay our current obligations and develop and market our products, we require significant additional working capital. We have incurred losses in the past, our losses are continuing and we are continuing to generate negative cash flow from operations. As a result, our working capital deficiency is increasing. In the event that we are unable to raise the necessary funding we may be unable to continue operations and it may be necessary to seek protection under the Bankruptcy Code.

Because of our lack of working capital, we have incurred penalties for failing to pay our payroll taxes.

Because of our working capital problems we are delinquent in payment of payroll taxes. At June 30, 2007, our liabilities included delinquent payroll taxes and associated interest and penalties of $1,444,635. Our failure to pay these tax obligations could subject us to increased interest and penalties and our property may become subject to tax liens which would impair our ability to operate and could result in our seeking protection under the Bankruptcy Code.

Our increasing current liabilities reflect our inability to pay creditors currently.

We have used our deposits from our distributors and clients to pay our creditors and finance our operations. If our vendors do not extend us necessary credit, we may not be able to fill our current orders, which may affect the willingness of our distributors and our clients to continue to place orders with us or to make advance payments to us. Our inability to obtain advance payments from distributors and clients will impair our ability to obtain components necessary to make products, which, in turn, may result in a cessation of our business.

If we continue to operate at a loss, we may be unable to continue in business.

We sustained net losses of $2.3 million, or $.02 per share (basic and diluted), for the fiscal year ended June 30, 2007, and $3.1 million, or $.04 per share (basic and diluted), for the fiscal year ended June 30, 2006, and our losses are continuing. Our failure to operate profitably is affecting the willingness of distributors and clients to place orders with us and the willingness of our suppliers to provide us with necessary components. We cannot assure you we will ever be able to operate profitably, and if we are unable to operate profitably, we may be unable to continue in business, and it may be necessary for us to seek protection under the Bankruptcy Code.

Our independent auditors have included an explanatory paragraph in their report as to our ability to continue as a going concern.

As a result of our continuing and significant losses and our working capital deficiency, our independent auditors have included in their report an explanatory paragraph as to our ability to continue as a going concern.

Our lack of credit facilities may impair our ability to operate.

Our only source of funds since prior to July 1, 2003, other than deposits by our distributors and clients, has been sales of our common stock or the exercise of options to buy our common stock, from which we received gross proceeds of $343,000 during the fiscal year ended June 30, 2006, loans and credit facilities from our officers and members of their families and a placement of notes to certain of our stockholders and other individuals. In view of our substantial working capital deficit and continuing losses, we may be unable to raise equity or obtain additional credit. If we are not able to generate the capital or obtain the credit we require, it may be necessary for us to cease operations and seek protection under the Bankruptcy Code.

A significant portion of our revenue results from revenues recognized from the termination of distribution agreements with non refundable deposits.

For the year ended June 30, 2007, approximately $250,000, or 13.6% of our revenue, resulted from the termination of distribution agreements that had non-refundable deposits. We had entered into distribution agreements pursuant to which the distributors made a non-refundable deposit on account of products to be purchased in the future. To the extent that the agreement is terminated or expires without the required purchases being made, we have recognized the amount of the unapplied deposit as revenue. We cannot assure you that our distributors will not seek a refund of the deposit, notwithstanding the non-refundable nature of the deposit or that the distributors will not be successful if they pursue such a claim in court.

If we are unable to generate sales of our bomb-jamming equipment or the communications monitoring equipment, we may not be able to continue in business.

Although we have sold a number of products in the past, our sales of these products have not been sufficient to enable us to operate profitably. We believe that, unless we acquire rights to other products for which there is a significant market, our ability to generate profits is dependent upon our ability to develop market and sell our bomb-jamming equipment and to market and sell the communications monitoring equipment that we distribute pursuant to a distribution agreement with a foreign supplier. If we cannot generate sufficient sales of these products, we may be unable to continue in business, and it may be necessary for us to seek relief under the Bankruptcy Code.

If we do not have access to the most current technology, we may not be able to market our products and services.

The security industry is constantly changing to meet new requirements, which result from new threats to government and industry, both from potential threats to persons and property, to industrial and governmental espionage, as well as general concern about personal and family safety. In order to meet these needs we must both anticipate problems and develop methods for reducing the potential risk. We rely primarily on the performance and design characteristics of our products in marketing our products, which requires access to state-of-the art technology in order to be competitive. Our business could be impaired if we cannot obtain licenses for such updated technology or develop state-of-the-art technology ourselves. With respect to our bomb-jamming equipment, we need to be able to adapt our products to meet new technical requirements based on changes in the nature of threats from remotely controlled explosive devices. Because of our financial problems, we are not able to devote any significant effort to research and development,

which could increase our difficulties in making sales of our products. If we cannot meet the developing challenges, we will not be able to market our bomb-jamming equipment successfully. Furthermore, if our potential customers are not confident that, because of our limited financial resources, we will be able to develop products to meet future requirements as they develop, they may be reluctant to purchase our products.

Because of our limited resources, we may not be able to develop or implement a successful marketing program.

Our ability to implement an expanded marketing program is dependent upon our ability to fund the program. If we are not able to obtain necessary financing, we may be unable to market our products. Furthermore, our financial condition may inhibit potential customers from purchasing our equipment and our competitors may use our financial condition in marketing to the same customers.

Because of the nature of our products, our ability to market our products is dependent upon the acceptance of our products by government agencies and government contractors.

Our products, particularly our bomb-jamming equipment and communications monitoring equipment, are marketed primarily to domestic and foreign governments, government agencies, including the military, and government contractors. We are subject to a long selling cycle in seeking to market to these customers, and, after a long selling effort, we may not be successful in generating orders for our products, either because the products do not meet the government specifications or because governments and government agencies are reluctant to place a significant purchase order with a company that does not have adequate working capital or financial resources. Further, if government agencies, particularly agencies of the United States government, including the military, purchase competing products, other potential customers may follow their lead and also purchase competing products. As a result, we cannot assure you that we can or will be successful in marketing to these customers and, if we are not successful in this marketing effort, it may be necessary for us to terminate our business and seek protection under the Bankruptcy Code.

Our failure to deliver our products could result in litigation and judgments against us.

If, because of our lack of working capital or for other reasons, we are unable to deliver our products to our distributors and clients, we may be subject to litigation resulting from such failure. If one or more of our creditors or customers obtain significant judgments against us and seeks to enforce the judgments, our ability to continue in business would be impaired and it may be necessary for us to seek protection under the Bankruptcy Code.

Although we have sold the stock of CCS, creditors of CCS have asserted and may continue to assert claims against us.

CCS had obligations and liabilities, including judgments, which had been reflected as liabilities on our balance sheet prior to our sale of CCS. The liabilities of CCS include stock price guarantees made by CCS in connection with its settlement of debt obligations. These agreements contain a price guarantee that requires CCS to settle in cash any difference between the original face amounts of the debt and proceeds from the creditor's subsequent sale of the shares. Although we are not a party to any of the agreements or judgments pursuant to which these liabilities or other obligations arose, CCS' creditors have sought and may continue to seek to make a claim against us. A creditor of CCS has obtained a default judgment against us based on an allegation that we were responsible for the debts of CCS. If such claims continue to be brought against us, we would incur significant expense in defending the claims with no assurance that we will prevail

We are subject to government regulations, which if violated, could prohibit us from conducting a significant portion of our export business and result in criminal liability.

The United States and other governments have strict regulations concerning the exporting and importing of security devices, which may restrict sales of certain products to bona fide law enforcement agencies or may restrict the sale of certain products from the United States. If we violate any of these laws, we may be subject to civil or criminal prosecutions. If we are charged with any such violations, regardless of whether we are ultimately cleared, we may be unable to sell our products. .

Because we rely on third parties for much of our distribution, we lack control over the distribution of our products.

Because we have a limited staff, our marketing is generally conducted by third party distributors who have distribution rights within a specified territory. We have no control over the manner in which they market our products, including their compliance with local laws. The inability of our distributors to market and sell our products would impair our ability to operate profitably. Furthermore, in the event that any of our distributors violates the laws of the countries in which they operate, our ability to sell in those countries may be impaired and it is possible that we may be subject to claims that we are a party to such violations. We would incur significant expense in defending any such claim, even if we were to prevail. Further, any such violation by any of our distributors could impair our relationship with the licensor of any products which we license and could result in the termination or non-renewal of one or more of such licenses.

Because we have no alternate source of supply, we may not be able to sell our communications monitoring equipment if the supplier is unable or unwilling to provide us with product.

We sell our communications monitoring equipment pursuant to a distribution agreement with the foreign supplier of the product. This supplier holds the right to the product, and, in the event that, for any reason, it fails to supply us with product, we have no other source of supply. We may not be able to obtain distribution rights to any comparable product. Since we consider the communications monitoring equipment to be crucial to our growth, our growth would be impaired by our inability to market such a product.

Because we are dependent on our management, the loss of key executive officers could harm our business.

Our business is largely dependent upon our senior executive officers, Ben Jamil, our chief executive officer, and Chris R. Decker, our chief financial officer. Although we have employment agreements with both Mr. Jamil and Mr. Decker, the employment agreements do not guarantee that they will continue with us. Our business may be adversely affected if any of our key management personnel or other key employees left our employ.

Because we lack patent or copyright protection, we cannot assure you that others will not be able to use our proprietary information in competition with us.

We have no patent or copyright protection for our proprietary software or products, including our bomb-jamming equipment, and we rely on non-disclosure agreements with our employees. Since our business is dependent upon our proprietary products, the unauthorized use or disclosure of this information could harm our business.

Major corporations may be able to develop and fund marketing efforts that could enable them to dominate the market.

A number of major companies, many of which have strong relationships with the United States and other governments, can both offer security products to governments and industry and fund a product development and marketing program. These companies have the financial ability to dominate the market, to effectively set a standard which may be incompatible with our technology and to use their financial resources and government and industry contacts to successfully compete against us in all major markets, regardless of whether their technology is superior or inferior to ours.

Our growth may be limited if we cannot make acquisitions or obtain licenses to new products.

A part of our growth strategy is to acquire other businesses that are related to our current business and to obtain licenses to new products in the security field. Any acquisitions may be made with cash or our securities or a combination of cash and securities. To the extent that we require cash, we may have to borrow the funds or issue equity. Our stock price and financial condition may adversely affect our ability to make acquisitions for equity or to raise funds for acquisitions through the issuance of equity securities. If we fail to make any acquisitions, our future growth may be limited. Furthermore, because of our stock price and our continuing losses, it may be difficult for us to make an acquisition, and if we make an acquisition, the issuance of any stock or other equity securities in connection with the acquisition may result in significant dilution to our stockholders and may result in a change of control. As of the date of this annual report, we do not have any agreement or understanding, either formal or informal, as to any acquisition.

If we make any acquisitions, they may disrupt or have a negative impact on our business.

If we make any acquisitions, we could have difficulty integrating the acquired companies' personnel and operations with our own. In addition, the key personnel of the acquired business may not be willing to work for us, and our officers may terminate their employment with us. We cannot predict the affect expansion may have on our core business. Regardless of whether we are successful in making an acquisition, the negotiations could disrupt our ongoing business, distract our management and employees and increase our expenses. In addition to the risks described above, acquisitions are accompanied by a number of inherent risks, including, without limitation, the following:

- the difficulty of integrating acquired products, services or operations;
- the potential disruption of the ongoing businesses and distraction of our management and the management of acquired companies;
- the difficulty of incorporating acquired rights or products into our existing business;
- difficulties in disposing of the excess or idle facilities of an acquired company or business and expenses in maintaining such facilities;
- difficulties in maintaining uniform standards, controls, procedures and policies;
- the potential impairment of relationships with employees and customers as a result of any integration of new management personnel;
- the potential inability or failure to achieve additional sales and enhance our customer base through cross-marketing of the products to new and existing customers;
- the effect of any laws or government regulations, including any foreign laws or regulations, which relate to the business acquired;
- potential unknown liabilities associated with acquired businesses or product lines, or the need to spend significant amounts to retool, reposition or modify the marketing and sales of acquired products or the defense of any litigation, whether of not successful, resulting from actions of the acquired company prior to our acquisition.

Our business could be severely impaired if and to the extent that we are unable to succeed in addressing any of these risks or other problems encountered in connection with these acquisitions, many of which cannot be presently identified, these risks and problems could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations.

The rights of the holders of common stock may be impaired by the potential issuance of preferred stock.

Our certificate of incorporation gives our board of directors the right to create new series of preferred stock. As a result, the board of directors has and in the future may, without stockholder approval, issue preferred stock with voting, dividend, conversion, liquidation or other rights which could adversely affect the voting power and equity interest of the holders of common stock. Preferred stock, which could be issued with the right to more than one vote per share, could be utilized as a method of discouraging, delaying or preventing a change of control. The possible impact on takeover attempts could adversely affect the price of our common stock. Although we have no present intention to issue any additional shares of preferred stock or to create any new series of preferred stock, we may issue such shares in the future. At present, all of the authorized preferred stock has been issued to our executive officers; however, we may amend our certificate of incorporation to increase the number of authorized shares of preferred stock.